

The C&O Canal Legal Status 1889–1938

The receivership era of the C&O Canal and its disposition 1889–1938 in brief:

In 1889 the C&O Canal Co. entered bankruptcy and receivers were responsible for the canal until 1938 when it was sold to the United States Government for \$2 million, which was paid to the B&O RR as the primary holders of the 1844 and 1878 bond mortgages. In 1924 the use of the canal for navigation was ended.

For the full account of the status and sale of the canal 1889 to 1938, see:

Barry Mackintosh's *C&O Canal, the Making of a Park*, Chapter I: Uncle Sam Buys a Canal; and Walter Sanderlin's *The Great National Project*, Chapter XII: The Last Years of the Canal.

- In 1889 after the May/June flood that damaged the canal so badly the company could not afford to repair it, the company admitted it was bankrupt and in December the B&O RR petitioned the Circuit Court of Washington County to appoint receivers under the mortgage of 1844.
- On March 3, 1890 the court handling the bankruptcy **APPOINTED RECEIVERS FOR THE C&O CANAL COMPANY**. The receivers included representatives of the B&O RR (the latter due to the fact that the B&O RR was the chief bondholder under the mortgages of 1878 and 1844). **THE CANAL REMAINED IN RECEIVERSHIP FROM 1890 TO 1938. THE B&O RR NEVER LEGALLY OWNS THE C&O CANAL.**
- In 1894 the receivers contracted with a newly formed company, the Chesapeake and Ohio Transportation Co., to take over the maintenance and operation of the canal on Jan. 1, 1896.
- **IN 1924 THE CANAL WAS CLOSED TO NAVIGATION** at the request of the receivers prompted by the damage done by floods in March and May. **The court states that the canal is not being abandoned.** Repair, maintenance, and operation of some sections of the canal continued under the receivers who maintained a small staff for these purposes. Income continued from the sale of water and the leasing of some properties.
- In 1936 when the B&O expressed an interest in “selling” parts of the canal, the issue of the status and ownership of the canal was referred to the Office of the US Attorney General, which determined it could only be sold if legally abandoned, and if sold in its entirety (it could not be sold in parts under the original charter).
- In 1938 the receivers requested the legal abandonment of the canal and it was **SOLD TO THE US GOVERNMENT FOR \$2 MILLION**. The \$2 million was then paid to the B&O RR as the primary bondholders of the 1844 and 1878 bonds that mortgaged the canal's properties and assets. (The \$2 million was then promptly used to reduce the B&O's indebtedness to the Reconstruction Finance Corporation so the railroad could borrow more money). Subsequently there were court cases involving other debtors, but their claims failed.